

Message Text

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PAGE 01 STATE 001063

62

ORIGIN COME-00

INFO OCT-01 ARA-16 ISO-00 EB-11 AGR-20 CIAE-00 INR-10

NSAE-00 RSC-01 SS-20 /079 R

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DRAFTED BY OED/EID/BC&OV MADERHOLD

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BCABP/OBRA TPGILLETTE (SUBS)

ARA/BC A ISAACS (SUBS)

* ----- 012479

R 032227Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: BDIS, CI

SUBJ: AGRICULTURAL AND INDUSTRIAL CHEMICALS INC.

REF: SANTIAGO 6281 AND 6282

1. ACCORDING TO MR. M. CAPILLO, EXECUTIVE VICE
PRESIDENT OF SUBJECT FIRM, THE ORDER MENTIONED REFTTEL WAS
CANCELLED BY AGENCIAS VARIAS BECAUSE BANCO DEL ESTADO WAS
UNWILLING TO POST A PERFORMANCE BOND AND GUARANTEE THAT
VESSEL ULD BE DOCKSIDE AT SPECIFIC TIME AND PLACE TO
ACCEPT CARGO. DUE TO UNCERTAIN LABOR CONDITIONS
PRECEEDING EVENTS OF SEPTEMBER 11, THE PRIMARY
SUPPLIER IMPOSED THESE CONDITIONS ON SUBJECT FIRM WHICH, AS
BROKER, WAS OBLIGED TO PASS THEM ON TO THE BUYER.

2. CAP*LLO ALSO SAID THAT HE PLANS TO VISIT SANTIAGO IN
FEBRUARY TO DISCUSS ALTERNATIVE SOURCES OF SUPPLY.

3. THERE ARE ABSOLUTELY NO, REPEAT NO, USG POLICIES OR
EXPORT LICENSING REQUIREMENTS TO RESTRICT SHIPMENT OF
FERTILIZERS FROM THE U.S. (OR ANY OTHER SOURCE) TO CHILE.

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PAGE 02 STATE 001063

WITH RESPECT TO PHOSPHATE BASED FERTILIZERS, MAIN
PROBLEM IS WORLD-WIDE SUPPLY, AND DEMAND WHICH CURRENTLY

EXCEEDS EXISTING PRODUCTION CAPABILITIES. CONSEQUENTLY, EXPORT PRICES HAVE BEEN STEADILY INCREASING DURING PAST YEAR. SUPPLIERS AND PRODUCERS, WHICH WERE PLAGUED WITH OVER-CAPACITY FOR YEARS, ARE ALLOCATING PRODUCTION TO LONG STANDING CUSTOMERS WITH IRON-CLAD CONTRACTS OR TO BUYERS WILLING TO PAY CURRENT PRICES.

4. SUGGEST THAT BANCO OFFICIALS BE INFORMED THAT THEIR CURRENT DIFFICULTIES CONCERNING FERTILIZER IMPORTS ARE BASED ON THE INTERNATIONAL BUSINESS PRACTICES AND ECONOMICS OF THE INDUSTRY AND ARE IN NO WAY RELATED TO U.S. POLITICALLY INSPIRED MOTIVES. RUSH

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